



January 22, 2014

Mr. Ronald J. Ryall
CEO
Southern Institute of Cosmetology
3099 S. Perkins
Memphis, TN 38118-3231

UPS Tracking #:
1ZA879640190608071

RE: Final Program Review Determination
OPE ID: 02339800
PRCN: 201320728150

Dear Mr. Ryall:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on April 15, 2013 covering Southern Institute of Cosmetology's (SIC) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2011-2012 and 2012-2013 award years. SIC's final response was received on July 14, 2013. A copy of the program review report (and related attachments) and SIC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by SIC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are **\$11,678.00**.

This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals

and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendices B, D, and E also contain PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the April 15, 2013 Program Review Report. If SIC wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date SIC receives this FPRD. An original and four copies of the information SIC submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

SIC's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to PMSL's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Mr. Jim Wyant at 816-268-0430. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely

(b)(6); (b)(7)(C)

Ralph A. LoBosco
Division Director

Enclosure:

Protection of Personally Identifiable Information

cc: Nancy K. Ryall, Financial Aid Administrator
Beverly Waller, Executive Director, Tennessee State Board of Cosmetology
Demara Stamler, Director of Accreditation, National Accrediting Commission of
Cosmetology Arts and Sciences

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

Southern Institute of Cosmetology

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 02339800

PRCN: 201320728150

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Division – Kansas City

Final Program Review Determination

January 22, 2014

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A. Institutional Information

Southern Institute of Cosmetology
3099 South Perkins
Memphis, TN 38118

Type: Proprietary

Highest Level of Offering: Non-Degree 1 Year (900-1799 hours)

Accrediting Agency: National Accrediting Commission of Career Arts and Sciences
(NACCAS)

Current Student Enrollment: 65 (2012-2013)

% of Students Receiving Title IV: 91% (2012-2013)

Title IV Participation (G5/COD):

2011-2012 Award Year

Federal Pell Grant	\$345,618
Direct Subsidized Loan	\$177,465
Direct Unsubsidized Loan	\$184,805

Default Rate FFEL/DL:	2010: 12.5%
	2009: 6.8%
	2008: 0.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a Program Review at Southern Institute of Cosmetology (SIC) from January 14, 2013 to January 18, 2013. The review was conducted by Mr. Jim Wyant, Ms. Joy Frazier, and Ms. Angela Beam.

The focus of the review was to determine SIC's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV, HEA programs. The review consisted of, but was not limited to, an examination of SIC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. In addition, 4 files were selected based on verification review. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendices A and B list the names and partial social security numbers of the students whose files were examined during the program review. A program review report was issued on April 15, 2013.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning SIC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve SIC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Findings 1, 3, 4 and 6-14

SIC has taken the corrective actions necessary to resolve findings 1, 3, 4 and 6-14 of the Program Review Report. Therefore, these findings may be considered closed. SIC's response to the program review report resolving these issues can be found in Appendix C. Findings requiring further action by SIC are discussed below.

Resolved Findings with Comments

The following program review finding has been resolved by the institution, and may be considered closed. This finding is included solely for the purpose of discussing resolution to the finding.

Finding 2. Incorrect 90/10 Calculation

Citation Summary: *For a proprietary institution, the institution will derive at least 10 percent of its revenues for each fiscal year from sources other than Title IV, HEA program funds. 34 C.F.R. § 668.14(b)(16).*

A proprietary institution meets the requirement in 34 C.F.R. § 668.14(b)(16) that at least 10 percent of its revenue is derived from sources other than Title IV, HEA program funds by using the formula in Appendix C of the regulation to calculate its revenue percentage for its latest complete fiscal year.

Except for institutional loans made to students, the institution must use the cash basis of accounting in calculating its revenue percentage.

The institution must consider as revenue only those funds it generates from:

- 1) Tuition, fees, and other institutional charges for students enrolled in eligible programs as defined in 34 C.F.R. § 668.8;*
- 2) Activities conducted by the institution that are necessary for the education and training of its students provided those activities are:*
 - a) Conducted on campus or at a facility under the institution's control;*
 - b) Performed under the supervision of a member of the institution's faculty; and*
 - c) Required to be performed by all students in a specific educational program at the institution.*

- 3) *Funds paid by a student, or on behalf of a student by a party other than the institution, for an education or training program that is not eligible under 34 C.F.R. § 668.8 if the program:*
 - a) *Is approved or licensed by the appropriate State agency;*
 - b) *Is accredited by an accrediting agency recognized by the Secretary under 34 C.F.R part 602;*
 - c) *Provides an industry-recognized credential or certification, or prepares students to take an examination for an industry-recognized credential or certification issued by an independent third party;*
 - d) *Provides training needed for students to maintain State licensing requirements;*
or
 - e) *Provides training needed for students to meet additional licensing requirements for specialized training for practitioners that already meet the general licensing requirements in that field.*

The institution must presume that any Title IV, HEA program funds it disburses, or delivers, to or on behalf of a student will be used to pay the student's tuition, fees, or institutional charges, regardless of whether the institution credits the funds to the student's account or pays the funds directly to the student, except to the extent that the student's tuition, fees, or other charges are satisfied by:

- 1) *Grant funds provided by non-Federal public agencies or private sources independent of the institution;*
- 2) *Funds provided under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low-income individuals who need that training;*
- 3) *Funds used by a student from a savings plan for educational expenses established by or on behalf of the student if the saving plan qualifies for special tax treatment under the Internal Revenue Code of 1986; or*
- 4) *Institutional scholarships that meet the requirements described below.*

The institution must include the following institutional aid as revenue:

- 1) *For loans made to students and credited in full to the students' accounts at the institution on or after July 1, 2008 and prior to July 1, 2012, include as revenue the net present value of the loans made to students during the fiscal year, as calculated under paragraph (b) of this section, if the loans:*
 - a) *Are bona fide as evidenced by standalone repayment agreements between the students and the institution that are enforceable promissory notes;*
 - b) *Are issued at intervals related to the institution's enrollment periods;*
 - c) *Are subject to regular loan repayments and collections by the institution; and*
 - d) *Are separate from the enrollment contracts signed by the students.*

- 2) *For loans made to students before July 1, 2008, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year.*
- 3) *For loans made to students on or after July 1, 2012, include as revenue only the amount of payments made on those loans that the institution received during the fiscal year.*
- 4) *For scholarships provided by the institution in the form of monetary aid or tuition discount and based on the academic achievement or financial need of its students, include as revenue the amount disbursed to students during the fiscal year. The scholarships must be disbursed from an established restricted account and only to the extent that the funds in that account represent designated funds from an outside source or income earned on those funds.*

For each student who receives a Direct Unsubsidized Loan on or after July 1, 2008 and prior to July 1, 2011, the amount of the loan disbursement for a payment period that exceeds the disbursement for which the student would have been eligible for that payment period under the loan limit in effect on the day prior to enactment of the ECASLA is included and deemed to be revenue from a source other than Title IV, HEA program funds but only to the extent that the excess amount pays for tuition, fees, or institutional charges remaining on the student's account after other Title IV, HEA program funds are applied.

For the fiscal year, the institution does not include:

- 1) *The amount of funds received by the institution from a State under the LEAP, SLEAP, or GAP programs;*
 - 2) *The amount of institutional funds used to match Title IV, HEA program funds;*
 - 3) *The amount of Title IV, HEA program funds refunded or returned under 34 C.F.R. § 668.22. If any funds from the loan disbursement used in the return calculation under 34 C.F.R. § 668.22 were counted as non-Title IV revenue as determined above, the amount of Title IV, HEA program funds refunded or returned under 34 C.F.R. § 668.22 is considered to consist of pre-ECASLA loan amounts and loan amounts in excess of the loan limits prior to ECASLA in the same proportion to the loan disbursement; or*
 - 4) *The amount the student is charged for books, supplies, and equipment unless the institution includes that amount as tuition, fees, or other institutional charges.*
- 34 C.F.R. § 668.28(a).*

Noncompliance Summary: *SIC did not appropriately apply Title IV, HEA funds disbursed towards each student's tuition, fees, or other institutional charges as required by 34 C.F.R. § 668.28(a) when calculating the institution's percentage of Non-Title IV revenue for the fiscal year ending 12/31/2012. The school incorrectly excluded all living expense checks disbursed to students, and incorrectly included the state testing fee in the total amount of institutional charges.*

Required Action Summary: *No response is required from SIC regarding this finding as part of the Program Review. The finding will be addressed as part of the 6/30/12 Financial*

Statement Review. If the Review results in failure of 90/10 Revenue Attestation, SIC will be notified of any actions taken against the school.

SIC's Response: No response was required from SIC regarding this finding.

Final Determination: Although SIC was not required to respond to this finding as part of the Program Review, SIC is reminded that the 90/10 issue must be resolved through the 6/30/12 Financial Statement Review.

Finding with Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of SIC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on April 15, 2013 is attached as Appendix D.

Finding 5. Incorrect Return of Title IV Funds Calculation

Citation Summary: *When a recipient of Title IV, HEA grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV, HEA grant or loan assistance that the student earned as of the student's withdrawal date. A student is considered to have withdrawn from a payment period or period of enrollment if in the case of a program that is measured in clock hours, the student does not complete all the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete. 34 C.F.R. § 668.22(a)(2)(i)(B).*

The percentage of the payment period or period of enrollment completed is determined in the case of a program that is measured in clock hours, by dividing the total number of clock hours in the payment period or period of enrollment into the number of clock hours scheduled to be completed as of the student's withdrawal date. The scheduled clock hours used must be those established by the institution prior to the student's beginning class date for the payment period or period of enrollment and must be consistent with the published materials describing the institution's programs, unless the schedule was modified prior to the student's withdrawal. 34 C.F.R. § 668.22(f)(1)(ii).

The amount of Title IV, HEA grant or loan funds that are earned by the student is calculated by:

- 1) Determining the percentage of Title IV, HEA grant or loan funds that has been earned by the student; and*
- 2) Applying this percentage to the total amount of Title IV, HEA grant or loan funds that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date. 34 C.F.R. § 668.22(e)(1)(i).*

For purposes of determining earned Title IV, HEA funds, generally, so long as the conditions for late disbursements in 34 C.F.R. § 668.164(g)(2) were met prior to the date the student became ineligible, any undisbursed Title IV, HEA funds for the period for which the return calculation is performed is counted as funds that could have been disbursed (regardless of whether the institution was prohibited from making the disbursement on or before the day the student withdrew because of the limitations in 34 C.F.R. § 668.164(g)(4) or elsewhere).

Any undisbursed Title IV, HEA funds for the period that the institution uses as the basis for the Return of Title IV Fund calculation is counted as funds that could have been disbursed as long as the following conditions were met before the date the student became ineligible:

- 1) For all programs, the Department processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official Expected Family Contribution (EFC) for the student; and*
- 2) For a Direct Loan, the institution certified or originated the loan, as applicable. 2011-2012 & 2012-2013 Federal Student Aid Handbook, Volume 5.*

The date of loan origination is the date a school creates the electronic loan origination record. 34 C.F.R. § 685.301(a)(6).

A promissory note must be signed for a loan to be included as "Aid that could have been disbursed" in a Return calculation. The signature may be obtained after the student withdraws. However, in order for the loan to be included as "Aid that could have been disbursed," the promissory note must be signed before the school performs the Return calculation.

A student can never receive as a post-withdrawal disbursement (PWD) any funds from a disbursement that the institution was prohibited from making on or before the date the student withdrew. Therefore, although the following potential disbursements can be counted as "Aid that could have been disbursed" (if intended for the period for which the Return of Title IV Fund calculation is being performed), an institution is prohibited from disbursing:

- 1) A second or subsequent disbursement of Direct Loan funds unless the student has graduated or successfully completed the loan period (34 CFR 668.164(g)(4)(ii));*
- 2) A disbursement of Direct Loan funds for which the borrower has not signed a promissory note;*
- 3) For clock-hour program, a disbursement of a Federal Pell Grant or Iraq and Afghanistan Service Grant for a subsequent payment period when the student has not completed the earlier payment period for which the student has already been paid (34 CFR 690.75(a)(3) and 34 C.F.R. § 691.75(a)(3)&(4));*
- 4) A disbursement of a Direct Loan to a first-year, first-time borrower who withdraws before the 30th day of the student's program of study (34 CFR 668.164(g)(4)(iii)) (except when this delay does not apply because of low default rates); and*

- 5) *A disbursement of a Federal Pell Grant or Iraq and Afghanistan Service Grant to a student for whom the institution did not have a valid SAR/ISIR by the deadline established by ED (34 C.F.R. § 668.164(g)(4)(iv)) annually in the public deadline notice. 2011-2012 & 2012-2013 Federal Student Aid Handbook, Volume 5.*

Noncompliance Summary: *In three instances, SIC did not correctly perform a Return of Title IV Fund calculation.*

Student #6: The student received a Direct Subsidized Loan disbursement of \$1,742 and a Direct Unsubsidized Loan disbursement of \$2,985. These disbursements were not included on the Return of Title IV Fund calculation as Title IV, HEA funds disbursed. Since the student's withdrawal date and corresponding scheduled hours were past the 60% enrollment period, the student earned all the Title IV, HEA funds disbursed and there is no liability associated with the error in this instance.

Student #13: The student was certified to receive a Direct Subsidized Loan disbursement of \$1,742 and a Direct Unsubsidized Loan disbursement of \$2,985. However, the disbursements were not made by SIC prior to the student's withdrawal and were not included as Aid That Could Have Been Disbursed on the Return of Title IV Fund calculation. This resulted in an incorrect determination of the amount of Title IV, HEA funds earned by the student.

Student #25: This student was approved for a scheduled leave of absence (LOA) from 09/05/2012 to 10/05/2012. The student subsequently withdrew on 10/11/2012. SIC incorrectly included scheduled hours that occurred during the student's approved LOA when performing the Return of Title IV Fund calculation. This resulted in an incorrect determination of the amount of Title IV, HEA funds earned by the student.

Required Action Summary: *In response to this finding, SIC must provide comprehensive information for all Title IV, HEA recipients who officially or unofficially withdrew during the 2011-2012 and 2012-2013 (year to date) award years. The institution must identify, review, and report on the files of all Title IV, HEA recipients for whom a Return of Title IV Fund calculation was performed or should have been performed in each award year. SIC must utilize the revised student attendance summaries developed in Finding 3 when completing the required Return of Title IV Fund file review. For Return of Title IV Fund calculations that are found to be improperly calculated and Return of Title IV Fund calculations that should have been calculated but were not, SIC must perform a correct calculation or recalculation.*

For each student identified, SIC must provide the following information:

- 1) *A spreadsheet that contains, for each Title IV, HEA recipient who officially or unofficially withdrew, the following information:*
 - a) *Student's name;*
 - b) *Last four digits of the student's SSN;*
 - c) *Award year;*
 - d) *Student's last date of attendance;*

- e) *Scheduled hours as of last date of attendance;*
 - f) *Number of hours in payment period;*
 - g) *The date that the original Return of Title IV Fund calculation was calculated;*
 - h) *The date that SIC determined that the student withdrew;*
 - i) *The amount of Title IV, HEA funds returned, if applicable;*
 - j) *Title IV, HEA program;*
 - k) *The date the funds were returned to the Department, if applicable;*
 - l) *Amount of PWD, if applicable;*
 - m) *Title IV, HEA program from which PWD was made;*
 - n) *Date PWD was paid;*
 - o) *Date of corrected Return of Title IV Fund calculation, if applicable;*
 - p) *Corrected amount of funds required to be returned, if applicable;*
 - q) *Title IV, HEA program to which corrected return(s) should be made, if applicable;*
 - r) *Difference between the original amount of Title IV, HEA funds returned and recalculated amount of Title IV, HEA funds that should have been returned;*
 - s) *Revised amount of PWD, if applicable;*
 - t) *Title IV, HEA program from which revised PWD should be made, if applicable;*
and
 - u) *The difference between the original PWD and revised PWD.*
- 2) *An individual attendance summary for each student that reflects the number of clock hours the student was scheduled to complete each day, the number of clock hours the student actually completed, the start and end date of any approved or unapproved absences, as well as the start and end date of each payment period;*
 - 3) *A copy of the complete original Return of Title IV Fund calculation worksheet for each Title IV, HEA recipient who withdrew in the 2011-2012 and 2012-2013 award years (SIC must identify calculations that were first performed as a result of the program review report);*
 - 4) *A copy of the complete corrected Return of Title IV Fund calculation, if applicable;*
 - 5) *A copy of all pertinent student account cards for the Return of Title IV Fund calculations identified above. The account card must reflect the disbursements included in the Return of Title IV Fund calculation as well as any return of the Title IV, HEA funds, if applicable;*
 - 6) *Legible copies of all audit trail documentation (i.e. wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to support the return of the funds to the Title IV, HEA accounts (if applicable). The documentation must clearly identify the amount of the return for the individual in question. If a return was repaid to the Title IV, HEA programs by check, then a legible copy of the cancelled check, front and back, must be submitted;*
 - 7) *A copy of SIC's official withdrawal form (or other official withdrawal documentation) for each Title IV, HEA recipient who officially withdrew, with the official date of withdrawal notated;*
 - 8) *Copies of all pertinent attendance records supporting SIC's determination of the student's last date of attendance;*

- 9) *In cases where a PWD was calculated, copies of all supporting documentation establishing that the PWD of Title IV, HEA loan funds was offered to the student or parent, and the student or parent's response to that offer. In cases where no such documentation is available, SIC must provide documentation indicating that the student, or parent in the case of a PLUS loan, was notified that a PWD was made on his or her behalf, the amount of the disbursement, and the date that it occurred; and*
- 10) *In the case of unearned Title IV, HEA funds that are required to be returned by a student, copies of all supporting documentation establishing that SIC contacted the student and made appropriate repayment arrangements, as outlined in Federal regulations.*

The Return to Title IV Fund spreadsheet discussed above must be organized by award year, and then by individual students. The spreadsheet must be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Student	SSN	Award Year	Last Date of Attendance	Scheduled Hours	Hours in Payment Period	Date of Original Return of Title IV Fund calculation	Date of Determination	Amount of Title IV, HEA Funds Returned	Title IV, HEA Program	Date Return Made
***	****									
***	****									
***	****									

(continued)										
Amount of PWD	Title IV, HEA Program	Date PWD Paid	Date of Corrected Return calculation, if applicable	Corrected Amount of Return, if applicable	Title IV, HEA Program	Difference Between Original Return and Recalculated Return	Revised Amount of PWD	Title IV, HEA Program	Difference Between Original PWD and Recalculated PWD	
N/A	N/A	N/A								
N/A	N/A	N/A								
N/A	N/A	N/A								

SIC must engage a Certified Public Accountant (CPA) to test the file review completed by SIC. The CPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Jim Wyant within 30 days of the institution's receipt of this Program Review Report. Mr. Wyant will review the procedures, indicate if any changes are needed, and approve the procedures.

The CPA must apply the agreed upon procedures to test the file review completed by SIC, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the Program Review Report. The CPA must prepare

the report in accordance with the AICPA Attestations Standards. The CPA's report must be submitted with SIC's response to this Program Review Report.

In addition, SIC must review and revise its internal policies and procedures and provide written assurances that the institution will properly perform Return of Title IV Fund calculations in the future.

Instructions for repayment of any liabilities for the 2010-2011 and 2011-2012 award years will be provided in the FPRD letter. The institution must not repay any funds owed to the Department for these award years until the FPRD is issued.

SIC is reminded that hard copy files containing PHI must be safeguarded as described in the enclosure to the cover letter of this report.

SIC's Response: In the past, refunds were done by hand and handled outside of the Financial Aid Administrator's Office. This increased the chance for errors due to communication (mainly of drop dates) in refund calculations. Refunds and closing out of student's payment records are now performed by the School's Financial Aid Administrator by using Return to Title IV on line. SIC assures the DOE that proper return of Title IV refund calculations will be done in the future. The corrected refunds for Finding #5 were recalculated by hand rather than electronically because we could not do previous award years on line.

The School reviewed all students who withdrew during 2011/ 2012 and 2012/2013 award years for whom a Return calculation was performed or should have been performed. All files were checked for scheduled hour accuracy. All withdrawals were checked and a corrected calculation was done on improper calculations.

Errors on improper calculations are identified on spreadsheet #5, and pertinent hard copies are enclosed.

Final Determination: Based on the auditor attestation submitted with SIC's response to this finding, the Department has established liabilities for those students identified in the file reconstruction performed by SIC for the 2011-2012 and 2012-2013 award years in which the institution did not return the full amount of unearned funds owed to the Department.

SIC is responsible for a return of **\$2,940.00** to the Federal Pell Grant Program, and **\$8,582.00** to the Federal Direct Unsubsidized Loan Program.

Additionally, SIC is liable for the cost of funds associated with the improper use of Federal Pell Grant, and Federal Direct Unsubsidized Loan funds. The total cost of funds liability due to the Department as a result of the failure to return refunds of Federal Pell Grant funds is **\$47.00** (\$46.79 in Federal Pell Grant interest *rounded*). The total cost of funds liability relating to the failure to return refunds of Federal Direct Unsubsidized Loan funds is **\$109.00**. The interest charges were computed using the cost of funds for Federal Pell Grants and Federal Direct Unsubsidized Loans published in the Federal Register by the Department of the

Treasury, effective from the date of disbursement to the date of this determination. Detailed information about this cost of funds liability determination may be found in Appendix E.

Instructions for repayment of the above liabilities are provided at the conclusion of this Final Program Review Determination (FPRD) letter.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the Program Review Determination is as follows. The liability amount reflects **unduplicated** liabilities because no students appear in more than one finding. This information is provided so that the institution understands the liabilities associated with each finding. The payment instructions in Section E reflect unduplicated liabilities.

Liabilities	Pell (Closed Award Year)	DL / FFEL	
Finding 5	\$2,940.00	\$8,582.00	
Subtotal	\$2,940.00	\$8,582.00	
Interest/SA	\$47.00	\$109.00	
Excess Cash			
ACA			
Subtotal	\$47.00	\$109.00	
TOTAL	\$2,987.00	\$8,691.00	
Payable To:			Totals
Department	\$2,987.00	\$8,691.00	\$11,678.00
COD Adjustments	\$2,940.00	\$8,582.00	

E. Payment Instructions

1. Liabilities Owed to the Department

SIC owes to the Department **\$11,678.00**. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: \$11,678.00
DUNS: 003090706
TIN: 621740768
Program Review Control Number: 201320728150

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. SIC is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to the SIC account representative.

If full payment cannot be made within **45** days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, SIC has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due SIC from the Federal Government. **SIC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, SIC must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

2. Liabilities Owed to the Department in the case of Federal Direct Loans

Federal Direct Loan Closed Award Year (Request Extended Processing)

Finding: 5

Appendices: B and E

SIC must repay the following Federal Direct Loan liabilities:

Federal Direct Loan- Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$6,458.00	\$87.00	2010-2011
\$2124.00	\$22.00	2011-2012
Total Principal	Total Interest	
\$8,582.00	\$109.00	

The disbursement record for each student identified in the appendix to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Jim Wyant **within 45 days of the date of this letter.**

Request Extended Processing

COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, SIC must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

3. Liabilities Owed to the Department in the case of Title IV Grants

Federal Pell Grant – Closed Award Year

Finding: 5

Appendices: B and E

SIC must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Gran	Award Year
\$2,940.00	\$47.00	Pell	2010-2011
Total Principal	Total Interest		
\$2,940.00	\$47.00		

The disbursement record for each student identified in the appendix to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Jim Wyant **within 45 days of the date of this letter.**

F. Appendices

Appendices A through E are attached to this report.